

City Council

Special Meeting – Budget Retreat Minutes

**August 8, 2017
Louisville Public Library Meeting Room, 1st Floor
951 Spruce Street
7:00 PM**

Call to Order – Mayor Muckle called the meeting to order at 7:00 p.m.

The following were present:

City Council: ***Mayor Robert Muckle
Mayor Pro Tem Jeff Lipton
Councilmember Jay Keany
Councilmember Chris Leh
Councilmember Susan Loo
Councilmember Dennis Maloney
Councilmember Ashley Stolzmann***

Staff Present: ***Heather Balser, Interim City Manager
Kevin Watson, Finance Director
Joe Stevens, Director of Parks & Recreation
Aaron DeJong, Director of Economic Development
Kurt Kowar, Director of Public Works
Rob Zuccaro, Director of Planning & Building Safety
Chris Neves, Director of Information Technology
Beth Barrett, Director of Library & Museum Services
Kathleen Hix, Director of Human Resources
Emily Kropf, Assistant to the City Manager
Megan Davis, Intergovernmental Affairs Director
Carol Hanson, Deputy City Clerk***

After a closely contested pie tasting, Jean Morgan, resident, handed out advertisements for purchasing key lime pie to support the Louisville Grain Elevator Project of displaying all the historic photos of the elevator at the mill site.

BUDGET RETREAT: DISCUSSION/DIRECTION/ACTION 2017-2018 BIENNIAL BUDGET

Finance Director Watson provided the following updates on this second year of the biennial budget:

Revenue Update, Five-Year Capital Improvements Plan Update and Fund Financial Forecasts

Revenue Update

New revenue estimates for 2017 and projections for 2018 have been derived from:

- The original biennial revenue budget adopted by Council November 15, 2016;
- Updated with new building-related revenue projections from the Planning & Building Department; and
- Updated with 2017 trend analysis prepared for the Finance Committee.
- More work will be completed prior to the September 26 budget presentation to Council

The Projection Dashboard noted an increase of tax revenue over 2016. Current sales tax revenue is trending up even without audit revenue.

Building related revenue provided by the Planning Department show normal variations and fluctuations. Planning and Building Safety Director Zuccaro stated the projections for revenue in building and planning are always dependent on projects actually happening so they were conservative with the projections.

Finance Director Watson noted the projected 44% increase in property tax revenues; this combination includes the property tax on the new recreation center bonds as well as the final mill levy on the library bonds.

Council member Maloney asked without those bonds, what the net effect on property tax would be just based on the valuations of property increasing. Watson said the projection is a 5% increase in valuation.

Council member Loo asked if the sales tax has not increased as the chart reflected a 0% increase. Watson noted to be conservative, projection is to stay even because audit revenue is not included.

Mayor Pro Tem Lipton noted this is extremely conservative. He did not want to be so conservative as to not be realistic. He asked if property tax rates were being captured because of the increase in assessed value. He wondered if there was a way to offset the valuation increase residents are feeling in their property tax.

Council member Stolzmann noted the Finance Committee is looking at this issue in the next month. Mayor Pro Tem Lipton asked if the other taxing entities were doing anything to offset the impact on residents. Council member Stolzmann didn't feel the other taxing entities would do anything to offset it and cautioned if the City lowered their mill levy, they would have to be prepared to raise it in future years if needed. Council member Keany asked about giving a reduction on water bills or something similar to not affect the mill levy long term.

Council member Loo noted even with the concern over the rise in property taxes, residents are asking for more amenities. She said with that comes increased costs to the City.

Five-Year Capital Improvements Plan (CIP) Update

New C-I-P has been derived from:

- The original plan adopted by Council November 15, 2016;
- Plus the carry-forward amendments and new-project amendments that were adopted by Council on June 6, 2017; and
- Adjusted by the latest input from departments on project timelines, cancellations, new cost estimates, etc.
- Attached to the Council Communication form was an updated C-I-P Summary Report and a copy of the C-I-P Review & Update Report from the July 21 Finance Committee Meeting.

Note: The new C-I-P for the Water Utility Fund does not include the proposed budget amendment discussed at the Utility Committee and Finance Committee Meetings on July 21, 2017.

Council member Loo asked about shortfalls at the recreation center. Interim City Manager Balser noted staff will come back with several options about how to address any shortfall after looking more closely at the numbers. Finance Director Watson noted Council may see some areas for savings during this presentation.

Finance Director Watson noted at the July 5, 2017 Council meeting, the former city manager talked about increasing the transfer from the General Fund to the Open Space and Parks fund from \$500,000 to \$1.2 million dollars.

Mayor Pro Tem Lipton felt the \$1.2 million throws the budget out of balance and thought there was not consensus at the July meeting to transfer that much money in the next year.

Finance Director Watson suggested looking at the fund financial forecasts and then address the possible \$1.2 million dollar transfer.

Fund Financial Forecasts

New 2017 and 2018 forecasts have been developed for all funds and include:

- C-I-P updates;
- Revenue updates;
- Interfund Transfer updates; and
- Other operational adjustments and budget corrections.
- *Please note that the wage and benefit amounts used in the fund financial forecasts are the original budgeted amounts for 2017 and 2018. Once the Council decides on any changes to wages and compensation for 2018 and*

beyond, staff will update the wage and benefit projections for all funds. Total wage and benefit costs are anticipated to increase over the amounts currently presented.

Although staff has made basic forecasts of revenue, expenditures, and reserves for *all* funds, staff has performed a more detailed review, and has made more detailed forecasts, for the *major* operating and capital funds, defined as:

General Fund, Open Space and Parks Fund, Capital Projects Fund, Utility Funds and Golf Course Fund.

As Director Watson went over the funds, Council questions and comments were heard.

- General Fund; target and minimum significantly above what is needed. Determined what are recurring revenue and expenditures including the \$1.2 million transfer and noted the fund balance is very strong.
- Open Space & Parks Fund; spent down fund balance over the years. Not supporting the operations with just sales tax revenue. Will need to be supported by at least \$400,000 from somewhere.

Council member Stolzmann noted she does not see that the intention of this fund was to completely support the open space and parks operation. A general fund transfer is appropriate.

Mayor Pro Tem Lipton asked why expenditures in 2018 are so high compared to 2017. Council members listed some of the upcoming projects.

Mayor Muckle noted he thought the \$1.2 million transfer was appropriate for 2018 and then could be looked at year-to-year. He suggested looking at operations and open space costs and determine how much needs to be left in the fund if the properties to be acquired are not as costly. Director Watson said if the \$1.2 million dollars is not transferred in 2018 the fund is not liquid. Mayor Pro Tem Lipton felt there was a need to look at reducing expenditures.

Council member Maloney asked why the jump in expenditures from 2008-2013 to now. Director Watson reviewed Open Space & Parks operational expenditures. In 2008 about half of the Parks operational expenses were shifted into the Open Space fund and then in 2014 all of the remaining parks operation was put in this fund. Not only is there growth of operational and maintenance costs, there were shifts from one fund to another. Council member Stolzmann asked if there were added positions. The answer was yes. Parks and Recreation Director Stevens noted the added positions and a part of the justification was the addition of North End and Steel Ranch along with continued trail development. As a result, operating costs then increase.

Council member Stolzmann felt the General Fund trend should be operating expenditures should be covered by operating revenue.

There was discussion concerning what the sales tax projections should be. Council member Maloney noted this information was from June and projections out to 2021 will be available in September.

Mayor Pro Tem Lipton suggested letting the open space and parks fund rebuild on its own. Council member Stolzmann noted the only way it grows right now is with the recurring transfer. Mayor Pro Tem Lipton questioned the amount of the transfers. He suggested not having to have an amount to purchase all properties in the fund, having some liquidity in the system and finding the dollars when open space properties become available. *Keany leaves 7:53 PM.*

Mayor Muckle noted there would be more data in September to continue this discussion. Council member Stolzmann asked staff to provide more than one sales tax projection for that discussion to allow comparisons. The fiscal policy can be brought back as well.

Mayor Pro Tem Lipton asked how to explain the large percent of change in property tax revenue for next year. The answer was the recreation center. Director Watson noted on assessment years 5-6% is budgeted and on non-assessment years a 2 – 2.5% increase in property tax is projected. Department revenue projections will also be available in September.

Director Watson noted if the General Fund is used to fund other funds, it is difficult to plan when using it as a bank. Fees should fund what they are gathered for.

- Capital Projects Fund;
- Utility Funds; large balances with large spend downs in future years
- Golf Course Fund; projected to increase in reserves in 2017 and 2018. No indirect costs being charged to this fund.

Council member Maloney asked why this did not show equipment replacement costs. Director Watson felt a policy needs to be written to restrict funds for replacement costs if that is what Council wants. Council member Stolzmann felt there was a need for more information to set a policy to address the capital needs in the future. Director Stevens noted there has been a schedule for equipment replacement. The mechanic is doing a good job of keeping the equipment in excellent working condition. The trend of revenue is going up. Council member Stolzmann asked if a policy would be available in September. Director Stevens felt more time was needed; nothing was being deferred, just being cost conscious. Interim City Manager Balser stated preliminary conversation could be done in Finance Committee and then work toward a policy.

Budget Calendar

- September 26, 2017 – Interim City Manager presents Recommended Budget to City Council and sets public hearing
- October 10, 2017 – City Council reviews Recommended Budget at special meeting
- October 17, 2017 – City Council holds public hearing on Revised Recommended Budget
- November 6, 2017 – City Council approves resolutions to adopt the budget, appropriate funds, and set the mill levy

Interim City Manager Balser noted there is opportunity to schedule other meetings if needed.

Public Works Director Kowar handed out a sheet showing the 2017 patching and mastic areas and asked Council members to mark any places they would like to see addressed.

2018 Compensation and Wages

Human Resources Director Hix noted based on data and information presented at the March 14, 2017 City Council meeting on the Livable Wage movement and the May 9, 2017 City Council meeting on the Police Master Plan, City Council asked staff to bring forward additional information regarding options to review regarding Total Compensation.

City Council requested additional information on the following and the pros and cons of each:

- A. Raise the minimum hourly wage for all employees, excluding seasonal employees and summer interns, to \$12.00 per hour.

Pros:

- Louisville will be better aligned with Longmont and Boulder regarding Living Wage.
- Likely to be seen as a positive approach to employees.

Cons:

- Will increase costs, and may not be sustainable
- May create a feeling that pay is distributed unfairly
- Will create compression issues

Cost:

\$8,200 without addressing compression issues OR **\$178,000** to address compression in a succinct and organized fashion.

- B. Change the cities Louisville currently uses as part of the Total Compensation review to include Boulder-area cities.

Pros:

- Employees likely to feel more fairly compensated.
- More closely aligned with Boulder's Self Sufficiency Standard (SSS)

Cons:

- Will increase costs and may not be sustainable in the long run.
- Population and complexity of the City of Boulder in very different from Louisville

Cost:

\$550,016 for adjustments to wages in 2018 which is \$159,087 above current wages adjustments with our current cities.

- C. Change the cities Louisville currently uses as part of the Total Compensation review to include cities within a 20 mile radius of Louisville.

Pros:

- Includes Boulder in cities.
- Employees likely to view this as fair approach to compensation.
- 91% of employees live within 20 miles of Louisville

Cons:

- Will increase costs and may not be sustainable.
- Turnover data does not suggest significant employees are leaving for higher paying jobs.
- Increasing wages may not be necessary to retain employees

Cost:

\$524,755 for adjustments to wages in 2018 which is \$133,826 above current wages adjustments with our current cities

- D. Provide the cost of adding benefits to employees working 20+ hours per week on a regular basis.

Pros:

- More employees eligible for benefits.
- May make Louisville a more desirable place to work.
- May attract a new group of potential employees.
- May provide greater stability in part-time employees.
- Long-term, part-time employees may feel more value by being offered benefits.

Cons:

- Will increase costs and may not be sustainable
- Decreases flexibility of part-time staff to work a varied schedule
- Cost of benefits may be too expensive for part-time staff.

Cost:

If 58/117 employees who are most likely to take benefits, cost to the City increases between \$250,000 (employee only coverage) to \$650,000 (family coverage).

- E. Update the information on the possibility of the Police Department joining the

Fire, Police, and Pension Association (FPPA) to enhance the retirement benefits for Sworn Officers.

Next Steps:

- Informational Meeting scheduled for September 27, 2017.
- If City is still interested after Informational Meeting,
 - *Sign a Resolution stating they would like to pursue this opportunity*
 - *Then vote of the Sworn Officers*
 - *Must pass by 65% of the members*
 - *Vote must take place within a 5-day window*
 - *Typically takes 4-5 months to complete*

Staff asked for City Council comments on the options A through E.

Staff recommended Option B and Option E. Change total compensation cities to include Boulder area cities and increase hours for 3 positions which makes them eligible for benefits. Continuing the process with FPPA to determine if the provisions of the plan should move forward. Support employees desires for flexibility, adds hours where needed, and incorporates livable wage philosophy into our processes.

Director Hix noted the comparison to Boulder was a comment she hears often from employees. Council member Loo wondered if this would be sustainable over time. Interim City Manager noted Boulder is dealing with wage conversations as well and in September the option Council chooses can be brought back to show the projection to 2021.

Council member Loo was concerned about compression issues and thought B or C might answer some of those issues. She supported the staff recommendation. Council member Maloney supported option B as well. He asked if this created compression issues. Director Hix answered no, because there was not a minimum bump up. Mayor Muckle supported the staff direction.

Council member Stolzmann has heard from some part time staff they don't always feel included and this may not address that issue; she felt option B was a step in the right direction. Director Hix noted part time positions are looked at every year. Council member Stolzmann noted if something is done across the board, it should be truly across the board. She asked to include what has been practiced of taking the average of the increase for the less than 20 hour employees in the modeling.

Mayor Pro Tem Lipton brought up health insurance benefits and Director Hix noted the City's benefit plan does meet the current affordable health care plan criteria.

2018 Additional Requests

Interim City Manager Balser asked if Council members had questions or additions to the summary of proposed additions to the 2018 capital and operational budgets as well as possible additions to staffing.

Council member Loo asked about the transportation master plan. Does that include first and final mile, underpasses and will it serve us well in applying for funding. The answer was yes, that is the goal.

Council member Loo asked for a better explanation of terms in the budget document.

Council member Stolzmann wanted to more clearly see how these additional items would be funded.

Council member Maloney asked about body cameras and wanted to make sure that for any additions, we make sure there is also ongoing operating dollars.

Staffing Requests -

Council member Loo noted the turf specialist was ranked above the ranger naturalist during last year's conversation. Director Stevens noted this is responding to feedback from different boards and commissions. The new ranger has had a positive impact but one full time position is just not enough to cover all the areas.

Mayor Pro Tem Lipton noted the concern OSAB had expressed over the time it took to hire the new ranger. Perhaps someone could be hired to work on some operational and maintenance items but could also train as a ranger. He suggested cutting some of the other items in open space to fit this position in. Council member Loo agreed there could be some open space items that could be cut.

Mayor Pro Tem Lipton asked staff to find what might be cut to allow for the ranger naturalist. He asked if there were going to be additional maintenance costs with acquiring the Mayhoffer property. The answer was the amount would be small as the county will likely be in charge of most of the maintenance. Mayor Pro Tem Lipton wanted to make sure the budget recognizes the ongoing cost of acquiring open space.

Mayor Pro Tem Lipton would like to see a 3-5 year staffing plan. Mayor Muckle agreed there should be a conversation in January about facing long-term operational costs going forward.

Capital Requests –

Council member Maloney asked about additional patio space and the rental of the patios. Director DeJong noted the patios are popular and more will be needed. Council member Loo asked for BRAD (Business Retention and Development) discussion about replacing the patios and rental prices and making a recommendation to Council.

Mayor Pro Tem Lipton asked about #6, the re-visioning of space at the library, seems less critical than the museum. Director Barrett noted the library is being used differently than it was when it was built; folks are looking for a place to study or work. People are being turned away from the study rooms during peak hours. Council member Loo asked if the impact fees would cover this. The answer was yes. Council member Stolzmann noted she would bring the list of the library plan which covers all of the needs at the library. Interim City Manager Balser noted impact fees must be spent on capital not operational items.

Mayor Pro Tem Lipton asked for a library list of needs particularly related to space and functionality. Director Barrett noted she has worked with a designer and this is a solution they came up with.

There was more discussion of the patios and Council member Stolzmann noted there needed to be an increase of the flower budget.

Other Requests

Council member Stolzmann suggested in future years there be something in the budget to address the audit issues found by partners in energy. She saw a need to include some money for broadband study. She requested money for additional security at the Court. Because the MyRide event went so well she asked to consider dollars designated to some sort of transit passes.

Mayor Pro Tem Lipton agreed with the list, but stressed finding reductions in other places. In looking at the recreation center, he asked staff look at the sales tax component, reductions on building expenses and energy savings; cash flow to monetize for initial capital costs.

Council member Stolzmann wanted to continue to invest in solar. Director Kowar asked if there was a target percentage for solar. Council member Stolzmann noted her target for renewables of 100%.

Paving Update

Overall street improvement costs are currently projected under budget by \$186,732. However, specific contract costs with Asphalt Specialties and Noraa Concrete have exceeded original contract approvals and will be brought to City Council on August 15th for ratification.

Remaining 2017 funding should not be considered as available funds until the project is substantially complete. At that time, staff will review actual funds and determine if the funds should be turned back or expended on additional City priorities.

He reviewed the areas being resurfaced and concrete replacements. He noted they are trying to leave the areas better than their current condition. Mayor Muckle noted he has been hearing a lot of compliments.

2017 Public Works Operations Patching and Crack Sealing

Operations staff will be repairing small patches and sealing large cracks with mastic crack seal from August to November. Staff will utilize on call patching services to repair larger patches

Council member Leh asked about the value engineering of these projects. Public Works Director Kowar noted in 2018 they will evaluate as they always do, what is necessary and what resurfacing can be done to expand life span without spending a lot of money.

2018 STREET RESURFACING AND RECONSTRUCTION UPDATE

Director Kowar reviewed the 5-year paving plan and what it includes for 2018 Street Resurfacing, Street Reconstruction and Concrete Projects.

On Washington Avenue a community conversation about options for parking, safety and/or bike lanes is needed. Council member Stolzmann asked public works to check the concrete and asphalt shift on Tyler Avenue. Director Kowar addressed the reported speeding on Tyler Avenue. They are looking for solutions including; striping, multi-modal and narrow lanes, medians, rumble strips, speed cushions. Council member Loo asked to have the community conversation with photos or renderings of what is proposed. Mayor Pro Tem Lipton noted this is a collector street, rumble strips are noisy and he wondered about more radar enforcement.

Council members discussed several areas in town and noted the need for a transportation master plan.

Mayor Muckle asked about reactions to there being no parking on Washington Avenue by Harper Lake. Council member Loo noted the safety issue and she could support it for that reason. Council member Loo and Mayor Pro Tem Lipton felt there might not be a need for a bike lane. Mayor Pro Tem Lipton suggested the biker's should have signage or striping on how to get to the underpass.

Council member Stolzmann asked if the paving plan was on track for 2020. The answer was yes.

Contributing Projects for 2017-2018

Mayor Muckle asked for specific comments on the contributing projects.

Interim City Manager Balser noted the contributing projects were done in 2016 and staff will reconsider and may have some small changes. It can be put into a work plan similar to what was prepared for 2017.

Council member Loo asked about the project under Cultural Services “work with task force for fall ballot measure” and asked if this concerned the museum campus extension. It was noted this was part of the HPF tax continuation and now needs to say potential ballot issue.

Council member Loo noted continuation of support for Street Faire in 2017 and asked it be included in 2018. Affordable housing in Community Design she asked Boulder County be spelled out. She asked if the City is committed to supporting Boulder County in whatever effort they have. Mayor Muckle noted these were agreed upon 2017 items with small revisions for 2018. Interim City Manager Balser noted any changes for 2018 will be red lined for Council’s next review.

Mayor Muckle liked the program budgeting and contributing projects.

Interim City Manager Balser asked if Council wanted a different way to define 2018 contributing projects. The work plan should tie back to contributing projects and what sub programs they belong to.

Council member Loo noted the community garden site should be part of a larger master plan. Mayor Muckle thought LSAB will likely come back with a great location.

Council members decided the work plan discussion should include the contributing projects. Contributing projects then develop the work plan.

DISCUSSION/DIRECTION/ACTION – CITY MANAGER RECRUITMENT PROCESS

Mayor Muckle asked if Council had any discussion on the recruitment process and noted it was already in motion.

Council member Loo did not favor the November 21 date being for both the swearing in of new council members and the selection of the finalists.

Human Resources Director Hix noted the public forums started today. Council member Loo wanted the announcement for those public forums to be noticed sooner. She felt there is a perception public comment is not wanted because the notice is short.

Council member Leh stated the notices are going out as soon as possible and being shared on social media. There are going to be other opportunities throughout the process for input.

Council members discussed the schedule and if any changes needed to be made. There was concern because a Council election falls right in the middle of the process. Mayor Muckle said he will facilitate with the appointed committees to finalize a schedule.

Motion: Council member Stolzmann moved to call a special meeting for 7:00 PM on August 29, 2017 to meet with June Ramos to summarize feedback from the focus groups and make recommendations for the brochure, seconded by Mayor Muckle. All in favor.

ADJOURN

Members adjourned the meeting at 10:28 PM.

Robert P. Muckle, Mayor

Meredyth Muth, City Clerk